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Proceedings of the

Third National Conference on

FRUIT AND VEGETABLE BARGAINING COOPERATIVES

Jung Hotel
New Orleans, La.
January 10 and 11, 1959

United States Department of Agriculture

Farmer Cooperative Service

Washington 25, D. C.

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PROCEEDINGS OF THE THIRD NATIONAL CONFERENCE ON FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This a report of the Third National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Jung Hotel, New Orleans, La., on January 10 and 11, 1959.

As with the earlier conferences in Chicago and Houston, the purpose of this conference was to provide a forum for the discussion of mutual problems and to encourage the exchange of ideas to help bargaining cooperatives more effectively meet growers' needs.

Again at the request of various fruit and vegetable bargaining cooperatives, this conference was arranged and conducted by the Farmer Cooperative Service, U. S. Department of Agriculture.

A total of 66 persons participated in the conference. This included 23 persons representing 11 fruit and vegetable bargaining cooperatives; 18 from 14 other cooperatives; 7 from 7 land-grant colleges; 10 from 5 State councils of cooperatives and 2 national cooperative organizations; 5 from the U. S. Department of Agriculture, and 3 others.

These proceedings include speeches made at the conference; highlights of discussion periods; a list of participants; resolutions adopted at the close of the conference; a list of fruit and vegetable bargaining cooperatives as of January 1, 1959; and a selected bibliography on this type of cooperative association.

The views expressed are those of the participants and are not necessarily those of the Farmer Cooperative Service.

Additional copies of these proceedings - in limited quantities - may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C.

PROGRAM

Saturday, January 10

12 noon - 2:00 p.m. Luncheon Room No. 1, Mezzanine

Chairman . . . . . Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Dept. of Agric.

Words of Welcome . Kit H. Haynes, Director of Information
National Council of Farmer Cooperatives
Washington, D. C.

What Direction for Bargaining Cooperatives?
Wendell McMillan, Agricultural Economist
Marketing Division
Farmer Cooperative Service
U. S. Dept. of Agric.

2:00 - 5:00 p.m. First Afternoon Session Room No. 1, Mezzanine

Chairman . . . . . Homer J. Preston, Chief
Fruit and Vegetable Branch
Farmer Cooperative Service
U. S. Dept. of Agric.

Should Bargaining Co-ops Go into Processing?
Ralph B. Bunje, Manager
California Canning Peach Association
San Francisco, Calif.

Berkley I. Freeman, Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Mich.

Discussion Period

Problems Involved in Establishing a Bargaining Cooperative among Eastern Apple Producers Carroll R. Miller, Secretary-Manager
Appalachian Apple Service
Martinsburg, W. Va.

Discussion Period

How Can Bargaining Cooperatives Cooperate with Each Other?

Charles Telford, Manager
California Freestone Peach Assn.
Modesto, Calif.

Donald R. Nesbitt, Sr., Vice Pres.
N. Y. Canning Crop Growers Co-op
Batavia, N. Y.

Discussants

Ruel Stickney, President
California Canning Pear Association
San Francisco, Calif.

A. W. Matthews, Secretary-Manager
Cannery Growers, Inc.
Maumee, Ohio

Discussion Period

Sunday, January 11

2:00 - 5:00 p.m. Second Afternoon Session Room No. 1, Mezzanine

Chairman . . . . J. K. Samuels, Director
Marketing Division
Farmer Cooperative Service
U. S. Dept. of Agric.

Our Potato Problem: Can a Bargaining Co-op Help?
R. W. Wilcox, Extension Agricultural Economist
University of Idaho
Boise, Idaho

Discussion Period

How Can Bargaining Co-ops and Processing Co-ops Work Together to the Mutual Advantage of Growers?
R. D. Barker, Treasurer
Apple Growers Association
Hood River, Oregon

Discussant

Cameron Girton, Manager
California Canning Pear Association
San Francisco, Calif.

Discussion Period

Florida Orange Marketers: A New Approach in Marketing

H. W. Schwarz, Asst. to Exec. Vice President
Minute Maid Corporation
Orlando, Fla.

J. Dan Wright, President
Florida Orange Marketers
Sanford, Fla.

Summary of the Conference

Joseph G. Knapp, Administrator
Farmer Cooperative Service
U. S. Dept. of Agric.

PERSONS ATTENDING THE CONFERENCE

R. D. Barker	Treasurer, Apple Growers Association, Hood River, Oreg.
Earl Blaser	Treasurer, California Freestone Peach Association, San Francisco, Calif.
Tom Bowers	Director, California Freestone Peach Association, Modesto, Calif.
Ralph B. Bunje	Manager, California Canning Peach Association, San Francisco, Calif.
E. W. Cake	Extension Marketing Specialist, University of Florida, Gainesville, Fla.
Dick Carlson	President, American National Foods, New York, N. Y.
S. C. Cashman	Director, Market Development, Ohio Farm Bureau Federation, Columbus, Ohio
L. A. Cheney	Secretary, Michigan Association of Farmer Cooperatives, Lansing, Mich.
Ralph M. Cooper	Assistant Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison, Wis.
Robert W. Cooper	Extension Economist in Farm Organization, Texas A&M College, College Station, Texas
George H. Crum	Vice-President, California Freestone Peach Association, Modesto, Calif.
J. M. Elliott	Manager, Everglades Growers Cooperative, Pahokee, Fla.
Berkley I. Freeman	Manager, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
M. C. Gay	Secretary, Georgia Council of Farmer Cooperatives, Athens, Ga.
C. A. Gehrig	Executive Secretary, Ohio Council of Farmer Cooperatives, Columbus, Ohio
Cameron Girton	Manager, California Canning Pear Association, San Francisco, Calif.
John Handy	President, Great Lakes Cherry Producers Marketing Cooperative, Sodus, Mich.
Kit H. Haynes	Director of Information, National Council of Farmer Cooperatives, Washington, D. C.
Martin E. Hearn	Acting Secretary, Michigan Processing Apple Marketing Cooperative, East Lansing, Mich.
C. K. Hobbie	Manager, Marketing Division, Cooperative GLF Exchange, Ithaca, N. Y.
Lyman S. Hulbert	Attorney, American Institute of Cooperation, Washington, D. C.
Alan C. Jensen	Assistant Manager, California Tomato Growers Association, Stockton, Calif.
Richard C. Johnsen	Executive Secretary, Agricultural Council of California, Sacramento, Calif.
A. W. Jones	Extension Marketing Specialist, Alabama Polytechnic Institute, Auburn, Ala.

Bryce M. Jordan	Manager, Maine Potato Growers, Presque Isle, Me.
John D. Kerr	Advertising Manager, American National Foods, Los Angeles, Calif.
W. J. Klotzbach	Manager, Cherry Growers, Traverse City, Mich.
Joseph G. Knapp	Administrator, Farmer Cooperative Service U. S. Dept. of Agric., Washington, D. C.
Einer Knutzen	President, Northwest Washington Farm Crops Association, Burlington, Wash.
Arnold Kurtz	Treasurer, Cannery Growers, Maumee, Ohio
W. F. Lomasney	Associate Professor, Extension Service, University of Illinois, Chicago, Ill.
A. W. Matthews	Secretary-Manager, Cannery Growers, Maumee, Ohio
Gerald D. Marcus	Attorney, Wahrhaftig, Bridgett, and Marcus, San Francisco, Calif.
E. A. McCabe	Executive Vice President, Pioneer Growers Cooperative, Belle Glade, Fla.
Howard McClarren	Director of Youth Education, American Institute of Cooperation, Washington, D. C.
Wendell M. McMillan	Agricultural Economist, Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Dept. of Agric., Washington, D. C.
N. W. Merrill	General Manager, Blue Lake Packers, Salem, Oreg.
Carroll R. Miller	Secretary-Manager, Appalachian Apple Service, Martinsburg, W. Va.
Donald K. Nesbitt, Sr.	Director, New York Canning Crop Growers Cooperative, Albion, N. Y.
Bruce B. Needham	Secretary-Treasurer, Cherry Growers, Traverse City, Mich.
James L. Oakes	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Richard Phillips	Associate Professor, Department of Agricultural Economics, Iowa State College, Ames, Iowa
Homer J. Preston	Chief, Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Dept. of Agric., Washington, D. C.
I. L. Price	Director, Pioneer Growers Cooperative, Belle Glade, Fla.
Keith Reene	First Vice President, California Tomato Growers Association, Tracy, Calif.
A. I. Reisz	Manager, Ohio Valley Soybean Cooperative, Henderson, Kentucky
J. Kenneth Robinson	President, Virginia Fruit Marketers Cooperative, Winchester, Va.
Skuli Rutford	Chairman, Board of Trustees, American Institute of Cooperation, St. Paul, Minn.
Wayne Salter	Vice President, California Canning Pear Association, San Francisco, Calif.

J. Kenneth Samuels	Director, Marketing Division, Farmer Cooperative Service, U. S. Dept. of Agric., Washington, D. C.
Hugh W. Schwarz	Assistant to Executive Vice President, Minute Maid Corporation, Orlando, Fla.
W. A. Smith	Greenville, Mich.
J. Kenneth Stern	President, American Institute of Cooperation, Washington, D. C.
Ruel Stickney	President, California Canning Pear Association, San Francisco, Calif.
Milo K. Swanton	Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison, Wis.
Charles J. Telford	Manager, California Freestone Peach Association, Modesto, Calif.
Gerald H. Trautman	Attorney, California Canning Peach Association, San Francisco, California
Marvin H. Walker	General Manager, Florida Citrus Canners Cooperative, Lake Wales, Fla.
Harley Welch	Chairman of the Board, Maine Potato Growers, Presque Isle, Me.
John P. Wetzel	President, California Tomato Growers Association, Woodland, Calif.
R. C. White	Price Analyst, Florida Citrus Mutual, Lakeland, Fla.
Al Whitmore	Secretary, Florida Citrus Production Credit Association, Orlando, Fla.
R. W. Wilcox	Extension Agricultural Economist, University of Idaho, Boise, Idaho
J. Dan Wright, Jr.	President, Florida Orange Marketers, Winter Park, Fla.

OPENING STATEMENT

Joseph G. Knapp, Administrator
Farmer Cooperative Service, U. S. Dept. of Agric.
Washington, D. C.

The opportunity to open this -- the Third National Conference on Fruit and Vegetable Bargaining Cooperatives -- affords me much pleasure. I feel that our past two conferences have been useful to growers interested in this important area of cooperative activity. This Third Conference can be even more helpful, especially in view of the continuing growth of existing bargaining cooperatives, the forming of new associations, and the generally increasing interest in this type of marketing cooperative.

As with the other meetings, this Conference in New Orleans is held at the request of various fruit and vegetable bargaining cooperatives. Its purpose is again to provide a forum for the discussion of mutual problems and to encourage the exchange of ideas. We hope this year's program will contribute to this purpose since it stresses alternatives facing bargaining cooperatives.

We appreciate the opportunity you have given us to help plan and arrange this meeting. By learning to know each other as individuals, we can best work together on common problems.

WORDS OF WELCOME

Homer L. Brinkley, Executive Vice President
National Council of Farmer Cooperatives
Washington, D. C.
(Read by Kit H. Haynes, Director of Information, NCFC)

While it is impossible for me to follow my assigned responsibility of personally welcoming this group representing bargaining cooperatives, my belief and interest in the work you are doing prompts me to send you this message.

First, I should say we are proud of the fact that your associations each year choose our annual meeting as the time and place for your sessions. Many of you are Council members and we hope more of you will be as time goes on. However, this is not the reason for these remarks. Rather, they are prompted by my firm conviction that important groups of unorganized farmers can tragically weaken in many ways the activities and operations of the organized groups.

Thus, we are for farmer organization, whether it be by bargaining, processing, purchase and sale, or what have you. It all adds to the growing strength of farmers and their ability to meet their responsibilities not only in behalf of a healthy agriculture, but of a strong national economy. We simply cannot have one without the other in this age of interdependence.

On the subject of this interdependence, many groups outside agriculture -- and some within it -- are not fully in accord. Farmers are in a minority as compared with other groups which are primarily interested in cheap food, and a superabundance of food of top quality. They seem not to realize that they cannot have it both ways as a permanent part of the economic life of the country. Yet, many farmers themselves seem not to fully realize that sound balance in those factors we just named is one for which they must assume major responsibility. Purchasers of food, as with anything else, cannot be expected to voluntarily pay more than they have to. But without organization and the pooling of economic strength by farmers, they can get away with it to the point of near-bankruptcy for the producer.

Your bargaining cooperatives offer a peculiarly effective way of consolidating the economic strength of farmers in many commodities. Through such operations farmers learn, and practice, some of the basic fundamentals of gaining economic strength through developing bargaining power. When these lessons are learned, it is frequently thought desirable to move forward into other methods of pooling economic strength and perhaps even greater bargaining power.

Past performance has indicated that such steps can and will be taken if opportunities for improvement can be thus developed. None of us can stand still, and it seems to me that these sessions are primarily

designed, through exchange of experiences and knowledge gained from practical operations, to enable your organizations to take such steps when and if opportunities arise.

But perhaps of even greater importance is the sense of direction, know-how, and opportunity which can be passed on to those groups of farmers not now organized. Because of the vital importance of a strong total agriculture, not only to the Nation as a whole but to those groups of farmers who already have achieved a degree of organized strength through cooperation of many types, may I express my very best wishes for your meeting and for the contribution which you can and will make to this goal.

WHAT DIRECTION FOR BARGAINING COOPERATIVES?

Wendell McMillan
Marketing Division
Farmer Cooperative Service, U. S. Dept. of Agric.
Washington, D. C.

Since we are just begining a new year, and since the program this year emphasizes some of the broader aspects of cooperative bargaining, I would like to direct my brief remarks toward the future. That is, in what direction should bargaining cooperatives aim? What are the alternative courses of action available to growers and their bargaining cooperatives that can help them improve the marketing of their crops and ultimately increase returns to growers?

Of course, increased returns are the major motivation behind growers' interest in bargaining cooperatives. However, unless these cooperatives understand the techniques of bargaining -- and especially the goal they are aiming for -- they may run into many difficulties and fail to improve the growers' position.

In order to assess the directions or alternatives open to growers and their bargaining cooperatives, we might start with a look at the nature of the market -- or the economic environment -- in which growers of fruits and vegetables for processing must operate. In discussing the market structure we can begin with consideration of some general ideas -- or to use the economist's language -- let's see what the theory of market price has to say.

According to this theory the ultimate determinants of the price of a given commodity on a given market at a given time are supply and demand. Demand is usually visualized as a curve representing a schedule of prices the final consumers are willing to spend for specified quantities of the commodity. On the other hand, supply is represented by a curve showing a schedule of amounts of the commodity that producers are willing to bring to the market in response to specified price offerings.

The intersection of the supply and demand curves uniquely determines the price. Of course, the price will vary as the position of the supply and demand curves shift due to changes in factors affecting them -- factors such as population, income, consumer habits and preferences, weather, production costs, and other production alternatives.

Now since the consumer and the producer are seldom in direct contact with each other, the concept of a marketing system is introduced in which the original demand of the consumer is reflected in a family of demand curves. That is, the demand of the consumer is reflected in the demand of the retailer, then back to the processor and finally to the grower.

In the same way the original supply of the producer is carried through the various stages of the marketing system to the consumer. The intersection of these demand and supply curves at the various stages of the market system determines prices at the retail, wholesale, processor, and grower levels.

The differences between these various prices are referred to as margins. Competition, based on the goal of profit maximization, is the motivating force behind this price determining mechanism we have just described and is the force which automatically keeps prices in line with costs, and supply and demand in adjustment.

Now this is a very logical, self-contained system that can explain how prices are determined. But I'm sure all of you are thinking, "That may be a fine theory, but it just doesn't work that way in real life." And you are right -- at least partially so, because this whole theory is based on a certain set of assumptions. If these assumptions are not in line with the actual market situation, then the theory must be dropped -- or adjusted to fit the actual situation.

The assumptions on which this theory of perfect competition is built are these: (1) A large number of buyers and sellers, (2) a large volume of product moving steadily through the marketing channels, (3) full information, and (4) and undifferentiated product that can be stored at least a short time.

Now in looking at the grower-processor level of the processed fruit and vegetable industry we can see right away that these assumptions do not fit. While there are many growers with crops to sell, there are relatively few processors to buy the crop -- and the trend is toward fewer and larger processors.

The raw product is harvested during a short period and sold all at one time, almost always on a contract basis. While full information is assumed, individual growers are often not adequately informed on prices, market conditions, and contract terms. And finally, while the raw fruits and vegetables are largely undifferentiated, they generally cannot be stored for any extended period.

In summary, the market at the grower-processor level in this industry does not fit the perfect competition mold. Instead it is an imperfectly competitive market and many technical terms are used to describe various forms of imperfect competition, depending on the number of buyers and sellers and the type of commodity involved.

While economists have not yet gone very far in being able to explain price determination under these circumstances, in the type of market situation just described, the grower is generally at a competitive disadvantage. Of course, it should be noted that while the processor may often be competitively stronger than the individual grower, when we look at the processor-retailer portion of the marketing channel,

many processors are at a competitive disadvantage in relation to large retail firms engaged in mass distribution.

Now, in view of the nature of the market situation facing the processing fruit and vegetable grower, what alternatives are available to him? What direction can he go to improve the returns from the marketing of his crops?

It seems that several directions are open.

First of all, the individual grower can do as he now is doing. That is, he can continue to deal individually with the processors, hoping that he will get enough returns from his crop to stay in farming.

A second direction for growers faced with a market situation of many sellers and few buyers would be to try to increase the number of buyers and thus reduce the competitive position of individual processors. Or stated another way, develop a situation of many sellers and many buyers which is required for perfect competition.

This approach is seen in anti-trust legislation dating back to the Sherman Anti-Trust Act. However, in the processing industry of today it would appear that in order to have efficient operations larger plants are desirable rather than addition of more small plants.

A third alternative would be in the opposite direction. That is, in a situation of many sellers and few buyers, the attempt would be made to reduce the number of sellers. The exact effect that this alternative would have on grower prices would depend on the resulting number of buyers -- a few or even one, and the resulting number of sellers -- either a few or even one.

However, by reducing the number of sellers, or in other words, integrating horizontally, the seller's competitive position can more nearly equal that of the buyers. Of course, a prime example of this approach is a bargaining cooperative through which growers as a group negotiate for contract prices and terms. In effect, instead of many sellers there is now one seller.

Another example, though, is the use of either State or Federal marketing orders as a means of coordinating certain functions involved in the marketing of a commodity by both growers and processors. The use of State marketing orders has developed widely in California, and several other States are beginning to experiment with them. With some exceptions, Federal marketing orders do not now cover processed fruits and vegetables.

One other approach related to this general direction of reducing the number of sellers can be mentioned. This is the formation of an association of growers whose purpose is to provide the total raw product requirements of one processor. The growers are assured a certain basic price and, in addition, stand to get a better price

depending on the sale of the finished product. We will hear more on this approach among citrus growers in Florida tomorrow afternoon.

We have now mentioned three directions for growers -- (1) Continue on an individual basis; (2) attempt to increase the number of buyers; and (3) reduce the number of sellers.

A fourth direction is also available and has been used by many growers. This is to combine two or more stages of the marketing channels under one management -- or in the terms often used currently -- growers can vertically integrate.

In the type of market and industry we are discussing, this can be done by forming a processing cooperative. Nearly 100 fruit and vegetable processing cooperatives are now operating, and some very successful ones can be pointed to in various parts of the country.

However, this alternative requires a large amount of capital -- either to build facilities or to buy some existing plant. It also requires skilled management and it must be remembered that after the crops are processed they still must be marketed. Instead of growers selling their raw product to the processor, they are now -- through their vertically integrated operation -- selling a finished product to the wholesaler or retailer. Instead of the processors' demand curve, they face the wholesalers' or retailers' demand curve.

On the other hand, a processing cooperative gives growers more control over the marketing of their crops further through the marketing channels. They thus have the opportunity of increasing their returns from the margins obtained through efficient operations. The processing cooperative also gives growers a yardstick for measuring other processors in the industry.

These, then, are some of the alternatives that growers can follow to improve returns on the crops they market. Of course, the bargaining cooperative approach is one that has attracted -- and is continuing to attract -- much interest among growers. The success of many of the associations represented here today indicates how this alternative can be of real benefit to growers. Formation of an association does not automatically solve all the growers' problems, but built strongly and used wisely the bargaining cooperative can be an important method of improving the growers' competitive position in the market.

On the other hand, growers' attempts in other directions, such as cooperative processing, have also been successful in improving growers' returns. What this leads to is that the approach or direction to be taken by growers depends on the competitive situation existing in their specific market. In one case, cooperative bargaining may be the most useful approach; in another situation, a processing cooperative may be best, and so forth.

But, in looking to the future, we can be sure that our economy and marketing will continue to grow and change. Thus, adjustments, new approaches, or combinations of approaches will be needed if growers are to maintain or improve their position in the market. For example, answers to questions such as these may be important as bargaining cooperatives look into the future:

Should they continue with contract negotiations as their main marketing function? If so, should it be on a local, regional or national basis? For one commodity, or a group of commodities? Or, if contract negotiations alone do not appear to be successful, should they go into processing, either on a custom basis for a portion of their crop, or should they process their total production themselves? Can mutually useful relationship be worked out between bargaining cooperatives and existing processing cooperatives? Is industrywide cooperation through the use of marketing orders in combination with bargaining cooperatives a fruitful approach?

In conclusion then, what we've been discussing here are ways or techniques for adjusting an imperfect competitive marketing system to bring about an adjustment of supply and demand -- of more accurately reflecting the consumers' demand back to the grower -- so that growers, processors, retailers, and consumers can all share equitably in the benefits of our economy.

Of course we could broaden this discussion even more by mentioning another fundamental alternative -- that of shifting or controlling the basic supply and demand forces themselves. This would involve such matters as restricting or regulating the supply that is available, on the one hand; and influencing demand through new products, promotion, and so forth on the other.

But these and other alternatives and combination of approaches to marketing could be mentioned. Some of these approaches will be explored in the sessions this afternoon and tomorrow afternoon. Such discussions should prove useful, because in a constantly changing economy such as ours, cooperatives that do not recognize or adjust to change will be left by the wayside. On the other hand, change creates opportunities, and where cooperatives recognize change and make adjustments to it, the economic position of growers can be strengthened.

SHOULD BARGAINING COOPERATIVES GO INTO PROCESSING?

Ralph B. Bunje, Manager
California Canning Peach Association
San Francisco, Calif.

The subject which I have been assigned to discuss is phrased in such a manner that it makes it rather a difficult subject to cover. In fact, generally I would say there are some cases where bargaining associations should go into processing and there are others where they should not.

Cases where bargaining associations should go into processing are generally associated with the type of bargaining association and the market conditions in a particular year. I can recall in our own experience, during one particular year, that we had no other choice but to go into processing. The reason was obvious - we had a substantial quantity of unsold peaches.

Under our membership pooling arrangement, we had to find a home for the product and, therefore, were forced into contracting with some nine different processors to process or crop on a custom or cost-plus basis. This served to increase the returns for the pool for the year and was a desirable alternative to loss of the fruit because no home could be found.

If a cooperative operates on a common-pool basis and holds title to the commodity, then I believe there are instances in which it has no other course than to get into the business of processing.

There are also many instances in which bargaining cooperatives should not venture into processing. When the supply and the demand of the commodity are in reasonable balance and there is an equality of bargaining strength between the association and its customers, there would appear to be no justification for entering into the business of processing. The bargaining association may find its position weakened if it competes with its customers at the market place.

Many people have asked concerning the development of California Canners and Growers, (CAL CAN) which was sponsored by the California Canning Peach Association and other bargaining associations on the Pacific Coast. I should like to take this opportunity of setting the record straight as to what was involved.

First of all, the California Canning Peach Association itself did not get into the processing business. What happened was that many growers were actively interested in securing for themselves the benefits of cooperative processing. Most of these growers were members of the existing bargaining associations.

The already established processing cooperatives had not expanded their facilities to meet the interests of growers in their members. Likewise, the already established processing cooperatives were giving no financial support to the operation of the bargaining cooperatives. Therefore, the bargaining associations undertook to satisfy the interests of their members by developing and organizing a sound, well-planned cooperative processing association and assuring themselves of real support from the new cooperative. The new processing association, as a matter of policy, will accept members only upon the basis that they are also members of the bargaining association.

Studies of the processing business in California showed that it was highly unlikely that a cooperative processing association would ever achieve a position of economic importance that would be strong enough to enable the processing cooperatives to establish the market prices for the raw products. As a matter of fact, the existing processing cooperatives operated on a single-pool basis under which they established the market values of their raw products on the bargaining association price levels.

Returns to their members were made up of the bargaining association prices plus the savings associated with the processing cooperative. The fact that these earnings averaged 20 percent above the bargaining association's prices served to emphasize the importance of the bargaining association to the growers of the various commodities.

Growers realized that a 20 percent average return -- over and above a poor price -- was an unsatisfactory answer to their economic interests. The successful operation of a strong bargaining association, capable of achieving sound prices based upon overall economic considerations, would establish a base from which well-managed processing cooperatives could successfully operate and bring about the maximum returns to their grower members.

California growers realized that what was important was the base price of the commodity. In terms of returns to the growers in a processing cooperative, it could be said the bargaining associations historically were responsible for 80 percent of the growers' total returns and the processing cooperative for 20 percent.

The development of California Canners and Growers was also contemplated to enhance the general stability of the canning industry in California. There were no new facilities constructed but rather already existing operations were purchased and are now owned by the growers instead of by stockholders.

The development of CAL CAN does not involve the bargaining associations being in the processing business. Pacific Coast bargaining associations will, in all probability, not get into processing directly unless forced to do so by economic conditions. Under the CAL CAN arrangement, members of the bargaining associations have a choice -

they may market on a cooperative basis or they may market on a commercial basis. The individual member is free to choose his method of marketing according to his economic interests and desires.

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Highlights of Discussion from the Floor

Asked why growers should invest in a processing cooperative when they are doing very well with a bargaining cooperative, Mr. Bunje answered that when they invest in a processing co-op, growers have a chance to make more -- or lose more -- on their crops. The job of the bargaining co-op is to get the base price up, while the returns from a processing co-op are a "fringe benefit."

Mr. Bunje was asked why the California Canning Peach Association went into processing in 1937. He said that in 1937, because of their financial condition, processors couldn't pay for the crops. So the bargaining association borrowed $4 million to loan to them. In 1950's growers felt that CAL CAN would give them additional market outlets. They tried to get existing processing cooperatives to expand their facilities, but the cooperatives didn't choose to do so. Since growers wanted more processing facilities, they went into CAL CAN.

Mr. Bunje also pointed out that they didn't increase capacity, since they bought out two existing plants. The reason for this was to get good management, a multi-product operation, brokers, and so on. Instead of increasing the total production of finished products, they increased cooperative processing from 6 to 16 percent of the total.

In response to further questions on CAL CAN, Mr. Bunje indicated (1) that they could buy the companies since growers were willing to put up the capital and the sale had capital-gain tax advantages for the families that owned the companies; (2) that it now has the same management and personnel as before the purchase, but a different board of directors; (3) that no interest is paid on retains; and (4) that they are on a single pool basis.

He agreed that the 20 percent return he mentioned is from increased efficiency in another operation, not a greater return on fruit. He also indicated that CAL CAN is not a surplus operation, since growers can put into the processing co-op only what they have signed up. Surplus problems are a matter for the whole industry.

Asked about the trend of processors going into growing, he pointed out that in California 10 percent of the clings and 25 to 30 percent of the asparagus is grown by processors, and that now one processor is going into tomato growing.

SHOULD BARGAINING COOPERATIVES GO INTO PROCESSING?

Berkley I. Freeman, Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Mich.

Before answering this question, the basic reason for bargaining cooperatives must be understood. In the case of most fruits, the basic function of a bargaining co-op is to protect and enhance the value of the invested capital and the management skill that is required to produce a volume of quality fruit. In America when one uses the words "protect" and "enhance" one usually means "earn a maximum profit."

It is therefore understood that, for a group of fruit growers, owning a processing plant becomes another means for protecting their capital investment in orchards and farming equipment. When viewed as a means to the ultimate purpose of a bargaining association, this question is then seen in the proper perspective. No generalization can be made that will apply to all commodities or groups of organized growers when making the decision as to whether they should own their own processing facility.

Before any grower group undertakes the job of processing their product, an unbiased and analytical study should be made covering the following points:

1. Do they have the capital required to invest in processing facilities and to meet the competitive situation that already exists in established processing firms?

   a. Can they achieve the required ratio for fixed capital and working capital?

   b. Can they achieve the required sales outlets to maintain a favorable ratio of gross sales to capital investment?

   c. Are they relying on cooperative income tax regulations that may be revised any day in Congress? A change in tax laws or regulations might make accumulation of savings more difficult.

   d. Is there any other phase of marketing from which they could get better returns for their capital investment, for example, advertising, more efficient production machinery, export brokerages, and so on?

   e. Can they get favorable terms of purchase as to market value and rates of interest?

2. Do they have management skill, or is it available, to run a processing plant?

a. What incentive do they have for management that is superior to actual ownership?

b. When they plan a management setup, are they including skill in merchandising and sales, or just processing?

3. Are existing facilities modern, and is the available capacity sufficient for the volume grown and for the existing market?

a. If they build a new plant, will it provide only excess capacity?

b. If they buy existing facilities, are they the most modern available, and where have they improved their bargaining power with other plants in the industry?

4. Can grower-ownership provide enough flexibility to meet changing market requirements as to variety of products, expanding volume of commodities and sources of supply that cannot be wiped out by local climatic disasters?

a. How long will the plant run each year?

b. Will the operation allow loading of mixed cars?

c. Will competition from other States weaken their position in the national market?

In conclusion, it would seem that the basic decision that resolves the question, "Should bargaining co-ops purchase their own processing facilities?", bears heavily on the comparative value of a cooperative business versus a corporation or privately owned business. Using a historical test in terms of which cooperative ventures have been successful and which have failed, it would seem that the cooperative method has been most successful when

1. It provides a service that cannot be provided by individual or corporate ownership, or it not provided by them. For example, rural electrification and telephone service, and a Capper-Volstead type cooperative; and

2. It provides a competitive comparison to industrial or service businesses that are known to be enjoying profit ratios above the national average. For example, supply cooperatives such as G.L.F. in New York or various grain storages.

The question, therefore, becomes an immediate business decision toward the end of increasing profits. A final word of warning, however, is

that for the real protection of farm values and basic agricultural interests, some way must always be provided to determine the economic value of the raw product as it comes off the farm and before it enters the channels of trade and processing.

Any attempt to integrate without evaluating the grower effort will lead to either farm inefficiency or unequal profits to farmers for their capital, labor, and management invested. This applies whether the farm product is processed cooperatively or by other types of corporations.

PROBLEMS INVOLVED IN ESTABLISHING A BARGAINING COOPERATIVE AMONG EASTERN APPLE PRODUCERS

Carroll R. Miller, Secretary-Manager
Appalachian Apple Service
Martinsburg, W. Va.

We have been working for nearly 4 years trying to establish a bargaining cooperative among Eastern apple producers. I think that Eastern growers are now more interested in cooperatives, but there is still some distrust of them in our area, stemming from old experiences mainly. But before discussing these cooperative bargaining problems, let us first develop the background by looking at the apple industry in the East.

Apple processing is almost entirely an eastern situation. About 50 percent of the United States pack of processed apples is in the Appalachian area (the two Virginias, Pennsylvania, and Maryland) and another 30 percent of the total is in New York State. This makes a total of 80 percent of the total pack in two Eastern areas. Michigan is small as a processor, but growing.

Further, the processing apple industry has grown tremendously. In 1932, we packed 4 million cases, but we are now up to 23 million cases (including apple juice).

Now let us look at some of the problems we face.

First is the problem of surplus. What will happen when we have more apples than canners can use? There are 8 to 12 million bushels of apples grown yearly in Western New York; 20 to 24 million bushels in Appalachia. Canners use fairly stable quantities -- perhaps 18 million bushels -- and our "fresh" outlets tend to take fairly stable quantities. When we have a big crop in the two Belts -- 32 to 36 million bushels, for example, we have the problem of homeless apples hunting buyers. Of course, there really isn't a surplus, since all the apples are used up, one way or another. Wastage is small, really. It means, actually, that our marketing machinery is defective and that average of homeless apples is perhaps our biggest stumbling block.

A second problem is that there is no chance at the present for area-wide legislation that could assist us, for example, through having quality or quantity regulations, a green-drop procedure, and so on. We have to work in six different States, and apples are not important enough in some of these States to secure legislative attention. Although New York now has a marketing agreement and Pennsylvania growers are working toward one, Virginia and West Virginia growers don't want the agreements.

Third, we need better sales machinery. We have 2,000 growers in the Appalachian area, and probably 1,000 or more of them individually sell their own products. Too many of them say, "Why pay 15 cents to someone to sell my apples when I can do it myself?" So -- many hundreds of growers try to sell to the handful of purchasing processors. When we face a big crop, these growers tend to become panicky and too many rush to the processor, pleading in effect: "Take mine." As a result, the price soon drops.

The fourth problem is leadership. The Appalachian Belt is a land of big orchards. Thirty of the 2,000 growers produce 7 million bushels, one-third of the average crop. Big operators are generally able to do fairly well and are more-or-less satisfied. They are the leaders and they influence the little growers. The lack of enthusiasm on the part of big growers in turn influences greatly the little growers. But we have had, and have now, a large grower actively heading our bargaining activities; Kenneth Robinson, with 2,000 acres.

Another problem with us is the mistrust that growers have of cooperatives. In 1926, a string of co-ops was set up in our area. They lasted about 3 years. All eventually failed, dismally. This has set the tone for co-ops with us. We have since had examples of successful cooperatives but nothing successful enough to offset this bad experience.

A final problem is that we have six States to deal with in trying to coordinate our activities. There are great distances between them. Varieties are different. Buying methods are different. There are also complexes of inferiority and superiority -- big States and little States and this doesn't encourage cooperation.

These, then, are some of the problems that we face in the East in getting a bargaining cooperative established. While we are developing leadership and believe we are making some progress, we still have plenty of problems. Since Ken Robinson was able to get to this conference, I wonder if he would like to add some comments.

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Comments by Kenneth Robinson
President, Virginia Fruit Marketers Cooperative
Winchester, Va.

There is a real necessity that we do something in the marketing of our apples since there is now no relation between the prices of the raw product and the supply. Some of our problems are distances, single commodity processors in Appalachia, and the need to eliminate damage done by trying to start cooperatives from the top and go down. We are trying to start at the grass roots and work up. There is, also, the little growers' distrust of the big grower. While they have many problems in common, they feel they are on different sides of the fence.

Highlights of Discussion from the Floor

Asked about the present status of bargaining cooperatives in the processed apple industry, Mr. Miller indicated that they are first trying to incorporate individual associations on a State basis, and then form these State groups into a federation. While there has been no signup yet in their area, he pointed out that four associations have been incorporated and are working on "signup" -- Fruit Marketers Cooperatives of Virginia, Pennsylvania, and West Virginia, and Michigan Processing Apple Marketing Cooperative, East Lansing, Michigan. Maryland is in process of organizing. All these will join a "central" association. The Sebastopol and Watsonville, Calif., apple canning belts are also organizing actively now.

To questions on the use of marketing orders, Mr. Miller and Mr. Robinson indicated that sentiment in their areas was generally against them, and that they are not really considering this approach. Mr. Hearn indicated that Michigan apple growers are not in favor of marketing orders, while Mr. Handy said that cherry growers in Michigan are thinking of a marketing order for purposes of product promotion.

In further discussion on marketing orders, Mr. Bunje indicated that their State order covering surplus, research, promotion, and so on, has been in use for 9 years. They have averaged 97 percent of parity and sold 95 percent of their production as well. Regarding legislation to improve the general climate under which bargaining cooperatives can operate, he hoped that eastern growers would be interested in this approach in the place of marketing orders. Mr. Hedlund pointed out that marketing orders are available if growers want to use them. However, the Federal marketing order law would have to be amended in order to include processed fruits and vegetables. While the Federal marketing orders do not include promotion, except in the case of wool, 25 States do have check-offs for promotion.

HOW CAN BARGAINING COOPERATIVES COOPERATE WITH EACH OTHER?

C. J. Telford, Manager
California Freestone Peach Association, Inc.
Modesto, Calif.

Bargaining cooperatives not only can, but they must cooperate if they are to operate with maximum force. There is no question that the food processors with whom bargaining co-ops deal work together in establishing general buying procedures. We must do the same if we are to get the job done.

There are many ways in which bargaining associations can work together and I will discuss several of them in this presentation. But, to my mind, the most necessary way for us to cooperate with each other is in building an effective information service.

The processors with whom we deal are getting larger and fewer. It is getting so that all of us are basically dealing with the same major buying figures. To deal with these people effectively we must know as much as they do about local, regional, and national packs of all fruits and vegetables.

We must work to put together a system of ready exchange of information. Supplies can often change quickly. There is a great deal of duplication and wasted effort invested in gathering consumer sales and pack movement figures. Much of this could be eliminated if we had better national or regional networks of information among ourselves.

During the negotiating season we should be apprised of each other's asking price, and of the state of negotiations. This is of importance to both major and minor packs, since they are much more dependent on each other's welfare than we commonly realize.

Working together makes bargaining easier and makes us more effective. It is a hard enough and thankless enough job as it is, without our withholding help from each other. We must cooperate in exchanging price information if we are to be effective.

Another area of cooperation is where we have growers producing two crops which are represented by bargaining co-ops. It should be a matter of policy to help secure joint memberships.

After the bargaining season there are new plantings and pack figures to consider. In many areas there are only a limited and well-known number of tillable acres. By exchanging information about plantings, we can help each other gauge production trends. We find that many times a bargaining association's figures and estimates on acreage, which are obtained directly from its own members, are superior to those compiled by outside agencies.

This matter of an exchange of information is especially important when we consider the same commodity grown in two different areas. Buyers will play one off against the other -- claiming that each has over-produced and has plenty to fill the needs of the market -- unless each area keeps the other informed as to plantings and prospective harvest figures.

There are other ways in which we can cooperate. As more and more attention is given to public relations work as a useful tool in bargaining, we find that we can often increase our effectiveness at a saving by using the same public relations services. We share such a service with California Tomato Grower's Association and find it to be of mutual benefit.

In many instances, where there is a concentrated growing area and a logical headquarters town, bargaining associations can share the same physical facilities, and sometimes the same management services. This should operate to increase the bargaining weight of the management negotiator in question, and should provide services at a lower cost to the farmer.

In conclusion, I would like to point out that we in the fruit and vegetable field lag way behind branches of what we call, in California, "the farming business" in having price information available to us at all times. True enough, we set a price but once a year. We can't expect the daily price quotations that the livestock and poultry people get from vast central markets with their U. S. Department of Agriculture livestock reporting service.

Neither can we expect the daily price quotes that the grain people get from scanning the pages of their daily newspaper for the futures market. But we should have price information on our commodity and on related commodities available to us at all times for all regions of the country. Putting such a network of information sources together will be a big job, but we in the bargaining associations are going to have to do it to protect ourselves.

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DISCUSSION: HOW CAN BARGAINING COOPERATIVES COOPERATE WITH EACH OTHER?

Ruel Stickney, President
California Canning Pear Association, Inc.
San Francisco, Calif.

As a discussant on this topic, I would like to make my contribution in the form of some general observations based on our experiences on the West Coast.

First I would stress that one of the most important methods of increasing cooperation is to get to know each other better. From this comes mutual understanding and assistance. On the Pacific Coast we have held three conferences of bargaining associations - at Medford, Oreg., San Francisco, Calif., and Portand, Oreg. At these meetings we discussed frankly the problems facing our associations and ways of solving them.

As a second observation I would mention the assistance the cling peach association gave our pear growers in helping us get organized. In turn, our association has helped the Washington-Oregon Canning Pear Association, and in general we have all tried to help each other.

Another way we cooperate with each other is on pricing and marketing matters that involve pears produced throughout the Pacific Coast area. We exchange information through an organization we formed called the Pacific States Canning Pear Marketing Association. So far we market separately by States (California and Washington-Oregon), but we feel that the exchange of information is greatly helped by our coastwide organization.

HOW CAN BARGAINING COOPERATIVES COOPERATE WITH EACH OTHER?

Donald R. Nesbitt, Sr., Vice President
New York Canning Crop Growers Cooperative, Inc.
Batavia, N. Y.

The growth of bargaining cooperatives started in Utah in the 1920's and progressed slowly until following World War II. Growth speeded up during the 10 years following the war and has more than doubled in the past 4 years. I think we may safely say the interest in this way of doing business has increased tenfold in the past 4 years.

It has been my experience that cooperatives of this type have been helpful in furnishing information and know-how when asked by groups interested in organizing. Perhaps it is enough that help is given by an organized bargaining co-op when asked by a group that wants to get organized. But I think we have reached a point where each one of our established groups should make a conscious effort to cooperate with other bargaining associations and to promote this way of doing business.

Just how can we do more to cooperate? I think our effort should be in two areas. Let's call the first publicity. Agriculture as an industry has poor public relations. Journalists who write for general public consumption, when mentioning agriculture, talk in terms of the farm bloc, surpluses, and the cost of the support program. Our farm journalists who present both sides unfortunately write mostly for rural readers.

We need help from every bargaining co-op and every journalist we can get to cover this news, to advertise and promote the activities of our co-ops, and to advertise and promote our bargaining associations as a coming, growing, acceptable way of doing business. Non-member growers in an area served by a bargaining co-op may read favorable articles about the association and be encouraged to join.

Processors reluctant to do business with bargaining associations may be more favorably inclined when they find that other processors enjoy good grower relations and smoother operations when tied in with a bargaining group. The general public, and processors in particular, need to be told that this is part of an intelligent farm sales program that program aims at helping processors eliminate unfair competition from cut-throat operators and at the same time helps maintain growers in an economic condition where they may continue to grow processing crops of a quality and an abundance necessary for the profit of all concerned.

I expect that the manager of every bargaining cooperative makes an effort to write and promote news releases to accomplish this end. But some just are not good journalists, and some are too busy. Wouldn't it help if articles of good publicity, which are released concerning any bargaining co-op, were made available to every manager of a bargaining co-op?

Reprints are not too expensive and I hope our New York Canning Crop Growers Cooperative will get copies of every good release or story the rest of the associations represented here use in their area. And we will send ours out. An earnest effort to publicize what we are doing and why, an exchange of good releases, and an interested press will speed up the acceptance by growers, processors, and the public of bargaining cooperatives as an acceptable, fast-growing way of doing business.

The other area of cooperative effort is the actual field of organizing and operating bargaining cooperatives. During the past year or so, our association has given assistance to the organization effort of grape and cherry bargaining groups. On a fee basis, our older established cooperative made available office and mailing facilities, advice and counsel at meetings, and some field work to these two newly organized groups.

This, of course, entailed time and effort on the part of our group that perhaps should not have been diverted. But our directors felt that expansion of the bargaining cooperative way of doing business and acceptance of this by another group of growers and processors added to our own prestige and progress. I rather expect other new cooperatives have received this kind of assistance from other established groups, and this type of cooperation should be promoted.

This meeting each year gives information and inspiration to those attending from our bargaining groups, and definite impetus to the cooperative bargaining idea. It certainly is fine and now has a definite place in our effort. Unfortunately, because of the time, distance, and cost involved, this program and the opportunity to exchange ideas and discuss problems between sessions is not available to many directors, growers, or even some entire bargaining groups.

In addition to this meeting, bargaining groups might cooperate in an effort to have a regional meeting with shorter distances involved and more representation from some of the interested groups. For example, directors of bargaining groups in Ohio, New York, and New Jersey should be meeting shortly to discuss a better coordinated effort on tomato bargaining, compare 1958 tomato contracts, and prepare for the 1959 bargaining season. The same statistical figures on pack, movement, probable carryover, production costs, general economic level, and all factors to consider before bargaining should be made available to all at this meeting. More cooperation of this type is urgently needed.

As the number of bargaining associations increases, the need for some central office would probably make itself felt. The number of associations is not sufficient at the present time to support a national association executive full-time or even part-time, but the need is strong for the existing cooperatives right now.

Perhaps, with cooperation in voicing a request for a definite program of assistance, the Fruit and Vegetable Commodity Division of the American

Farm Bureau Federation (AFBF) could and should fill this need. In the past, and now, Farm Bureau people have indicated an interest in assisting and a spoken willingness to do so. For lack of a program, or because we do not indicate our need, concrete help has certainly not been monumental. We might suggest some of the following helps on the national level:

1. Pooling of fruit and vegetable processing contracts each year. We in New York want to know, for example, what price, but more specifically what services, went with the price a given processor paid for tomatoes in New Jersey, Ohio, Indiana, and California.

2. Information on pack, supply, movement, and price of processed fruit and vegetables monthly. AFBF formerly furnished this.

3. Latest cost of production figures where available, by States, of commodities involved in bargaining. These contracts and pack and cost figures are available to each bargaining co-op now, but each must dig up its own from many sources. AFBF could eliminate this duplication. Some processor contracts in other States are not readily available to our bargaining co-op, but would be through local farm bureaus.

4. Intercession at top level with some processor management. In some cases, local processor management will not recognize local bargaining cooperatives, and both processor and growers consequently suffer. A contact of top management by AFBF to explain and encourage this type of business could be helpful. To date the problem of cooperation between bargaining cooperatives has been somewhat in the background. The larger problem of getting organized and subsequently prospering after initial grower enthusiasm cools to satisfied complacency, has overshadowed much joint effort. Perhaps it is time to give added attention to this phase of our development. A coordinated effort in outlining a program and requesting assistance on State and National levels of AFBF should be undertaken.

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DISCUSSION: HOW CAN BARGAINING COOPERATIVES COOPERATE WITH EACH OTHER?

A. W. Matthews, Secretary-Manager
Cannery Growers, Inc.
Maumee, Ohio

In discussing this topic, there are two main ideas I would like to bring out for your consideration. Let us first explore the possibilities of organizing all of the canning bargaining cooperatives in the East and the Midwest into a united cooperative.

The chain processor sets prices. Local cooperatives in some instances

receive price and contract provision adjustments by skillful negotiations of the cooperative bargaining committee, by percentage of grower-members, by local conditions, by price of competing crops, local supplies, transportation considerations, and such. For actual bargaining the cooperative must be as big and as powerful as the chain processor that has been dictating the price.

As of today we, as cooperatives, can exchange information and experiences but cannot be influenced by what is developing in other States when the time arrives to sign on the dotted line. That must depend upon the judgment of the bargaining committee, whether it is 10 o'clock in the morning or at midnight.

My second proposal: Engage the forces of agriculture to enact marketing orders for canning crops the same as for fluid milk. Be brave enough to admit, even though reluctantly, that there are things we cannot do for ourselves. In this area look to the Federal Government. Throw prejudice and "scare" words about big bad Government into outer space and wholesomely seek assistance from the finest Government in the world.

Marketing orders would eliminate --- the advantages now enjoyed by non-members who escape co-op dues and get more favorable consideration from processors who boycott the cooperative.

As of today there is no effective remedy for boycott. The experience of Cannery Growers Inc., in the past 6 years is proof beyond a reasonable doubt.

Milk marketing orders provide that non-members pay a fee to the local administrator. In some cases the cooperative collects the fee and turns it over to the administrator. It is not always exactly the same figure, but near enough to satisfy the cooperative. In one case of which I have knowledge, the non-member pays 6 cents per 100 pounds of milk and the member 8 cents. The extra 2 cents is to build co-op reserves.

Marketing orders would tap all the resources of Government to provide statistics on processing and growing in all parts of our country.

There would be available as much information on one side as the other. Bargaining could be approached with intelligence on the part of the cooperative instead of guesswork as at present. Opposition to such proposed legislation in the past is proof of its merit.

These suggestions are based on the success of our past activities. Our accomplishments justify moving ahead. If we fail to advance, it will be a question only of time until our gains will be cancelled. The warning signals are much in evidence. Let's go.

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Highlights of Discussion from the Floor

In discussing ways bargaining cooperatives could work together on a national basis, Mr. Freeman suggested three organizations that might be

available for such assistance -- Farmer Cooperative Service, American Farm Bureau Federation, and National Council of Farmer Cooperatives. Speaking of FCS, Mr. Knapp indicated that since such activities would be in the nature of an action program, Government agencies would not be in a position to assist in this way. However, FCS could work with such a group in a research and advisory capacity.

Regarding the idea of a national cooperative organization for bargaining cooperatives, Mr. Bunje said that he could foresee a need for a national trade association, and that there are inter-commodity relationships that could be handled. He felt that the American Farm Bureau Federation could be of real help in this matter. Mr. Cashman said that there is a real need to work together. He felt that it is important to think of services that existing organizations have available before setting up a new organization. He indicated that the Farm Bureau could help, for example, with communications and legal aid.

In response to a question on the legal position of bargaining groups in several States working together to discuss price, Mr. Marcus indicated that under the Cooperative Marketing Act of 1926 cooperatives can exchange price information. He felt that a federation of bargaining associations would be the best form of organization under which to actually negotiate as a group.

OUR POTATO PROBLEM: CAN A BARGAINING CO-OP HELP?

R. W. Wilcox
Extension Agricultural Economist
University of Idaho
Boise, Idaho

This title implies we have a clearly defined problem in our potato industry. From what I've heard producers say, I expect they consider it to be a price and income problem. But this may be only a part of the larger problem of agriculture -- an ability to produce in excess of market demands at a satisfactory price.

Government programs to bolster one part of agriculture have a disconcerting tendency to shift some of the burden to another segment. For instance, the wheat program has been accompanied by increased feed grain production, and in Idaho we see restrictions on wheat and sugar beets reducing alternative cash-crop opportunities in our potato area.

Our potato problem is further compounded by farm size and mechanization; addition of newly irrigated lands; transportation costs, and shifts in consumer demand. Accordingly, my remarks will deal with the Idaho potato industry generally, then raise some questions for the group to discuss concerning the contribution a bargaining association might make in strengthening it. The group here today contains people who have had direct experience in forming and operating fruit and vegetable bargaining cooperatives and their judgment on these questions will prove helpful to us.

Idaho's Position in the U. S. Potato Industry

Idaho potato production has risen fairly steadily for many years, both in total and in relation to United States production. At the end of World War II, Idaho produced 11 percent of the U. S. total; in 1950, 11.8 percent; in 1955, 14.6 percent and in 1958, 16.2 percent.

In 1954, 66.6 percent of Idaho's potatoes were produced on farms having less than 50 acreas a farm, according to the Census of Agriculture. Only 47.1 percent of total U. S. production was on farms having less than 50 acreas of potatoes a farm in that year. Research on production costs in Idaho indicates 50 acreas may be too small with current mechanized methods of potato production. Changes in our production pattern have occurred since the 1954 census, but many individual farmers still are at a competitive disadvantage due to size. Adjustments -- sometimes painful -- will continue as they endeavor to become more efficient.

Idaho has had a potato processing industry for some time. Starch, flour,

and dehydrated (cubes) potatoes were the principal products until 1954 when expansion in production of other food products got under way. Food processing plant capacity has expanded greatly since 1954; starch capacity, slightly.

Processed food products made within the State took 6.6 percent of the 1950 crop, moved up to a peak of 19.6 percent of the 1956 crop, then dropped slightly in percentage of the 1957 crop (although increasing in actual tonnage).

Food processing plants used approximately 80 percent more potatoes during July-December, 1958, than during the same months of 1957. Frozen french fry production was cut back due to inventory problems during the fall of 1957 and new plant capacity was available during the last 6 months of the 1957 report. Therefore the increase may not hold for the entire 12 months, although additional plant capacity will come into production during that period.

The principal potato food products produced in Idaho are frozen items (chiefly frozen french fries) and dehydrated products (now largely dried mashed potatoes). Potato chip production is small and other products minor in amount.

Situation Facing Idaho Potato Producers

The market for Idaho potatoes in fresh forms extends into central and eastern parts of the country. Washington potatoes are strong competition, particularly in the area north and west from Chicago where they enjoy a freight advantage.

Oregon potatoes are strong competition in California, especially the Bay area. Idaho competes against potatoes from other areas closer to markets. These areas have seen the price advantage held by Idaho Russets and moved into Russet production to try and take advantage of that margin. As a result, Russet production outside Idaho has increased in recent years. Still, in spite of this increased competition from other Russets, fresh shipments of Idaho potatoes continue to increase.

Idaho potatoes are finding an expanding outlet in processed form, especially as food products. Starch has been made for some time, but the food processing industry has expanded rapidly since 1954. This expansion, more rapid in Idaho than elsewhere, is mainly in production of frozen french fries and dehydrated mashed potatoes.

While food processing offers a way to offset part of the disadvantage Idaho faces due to rising transportation costs, it also gives her the opportunity to take advantage of the increasing demand consumers have for sized potatoes. Restaurants and hotels have shown a preference for sized potatoes in the past and individual consumers are demanding them more and more.

Idaho growers are moving through an adjustment to mechanization. Growers with large acreages made this adjustment more readily than others.

Idaho production may expand further as new land is continuing to come under irrigation. Potatoes are adapted to this land better than available alternative cash crops. In fact, potatoes are almost the only attractive cash crop due to length of growing season and restrictions on wheat and sugar beet acreage.

Potatoes in the late, or storage area, (this represents some 95 percent of production) are stored to a large extent in grower-owned storages. While this retains grower control, it poses problems for the potato handler trying to merchandise potatoes and service his customers. As a result, handlers have moved to secure control of a greater share of their needs by growing part, purchasing ahead, or contracting with growers in some form. They feel they must do this to give themselves an even flow of potatoes for their customers and free themselves from the uncertainty of grower decisions on time of sale.

Idaho potatoes are marketed through various channels. Some go through retailer-owned packing plants to the fresh markets; others go through independent handlers; still others are marketed cooperatively.

Two marketing cooperatives serve Idaho producers. One in western Idaho serves the late summer area and handles a large share of that production. The other serves part of the late producing area. It is an integrated operation, processing potatoes into starch and food products, including some potatoes from the late summer section coming through the other cooperative. It is a member of American National Foods, New York, N. Y. and packs both fresh and processed potatoes under that brand as well as under its own.

Integration in the potato industry through contracting of production has become more clearcut with expansion in the potato food processing industry. In addition, food processors are in position to operate in the fresh market when supply and market conditions are favorable.

The Food Processing Industry in Idaho

The rapid increase in food processing in Idaho is apparent. The industry processed 2,524,000 hundredweight of potatoes into flour and other food products from the 1954 crop. From the 1957 crop, it used 6,625,000 hundredweight.

Processing plants in Idaho and Malheur County, Oreg., produce potato granules, potato flakes, potato flour, dehydrated cubes, frozen items (french fried potatoes, patties, and hashed brown) and other products. There are seven plants producing dehydrated mashed potatoes and other dehydrated products. Five plants produce frozen french fries and other

frozen potato products. Expansion of facilities is continuing to add new capacity to existing plants.

Many potato producers are raising questions about the future of the processed potato industry, its effect on consumption levels of fresh potatoes, and the effect of these changes on individual producers in different areas of production. Information to answer these questions is not now available. Growers are not in position to judge whether processed potato food products add to the total potato market, or to the total market for Idaho potatoes even though the total market is not changed.

The importance of the general level of consumer incomes to the market for processed potato food products is indicated in the U. S. Department of Agriculture's 1955 Survey of Food Consumption in Households in the United States. This study showed that higher income groups used relatively more frozen potato products and potato chips than lower income groups.

Producers of processed food products are expecting increased emphasis on sales to move their product. Factors encouraging optimism for dehydrated mashed potatoes are their low cost compared with other processed potato products, ease of storage, popularity of mashed potatoes as a food, the high quality of dehydrated mashed potatoes compared with mashed potatoes made from some fresh potatoes, and the ease of using dehydrated mashed potatoes both in the home and by the institutional user. It is estimated dehydrated mashed potato production may double this year.

Idaho, with Malheur County, Oreg., has about one-third of the frozen french-fry plants in the country but produces perhaps half the total volume. It has all the granule plants and two of the five potato-flake plants now in commercial operation. It plays a minor role in chip production although Idaho potatoes are used in chip manufacture elsehwere.

The advantages Idaho has for processors include a potato admirably processing because of a high dry-matter content, making a product that reconstitutes well. In addition, large quantities of potatoes are available within a relatively short distance of a processing plant; potatoes are available over a long period of time since this is a storage area. Cold storage, plus the use of sprout inhibitors, may lengthen the storage period still further. Finally, the supply is large, relative to the amount processed, and can be further expanded. In addition, there is now in the Idaho potato industry a background of technological and managerial experience and know-how in the production of processed potato food products.

The comparative position of Idaho is not secure, however, and new developments in old products or development of new products may shift the balance. For example, the Michigan people believe they may have a competitive advantage over Idaho in the production of dehydrated mashed potatoes in flake form.

Growers

Idaho potato growers are undergoing difficult adjustments to changing production patterns, distance to market, rising transportation costs, changes in consumer demands for fresh potatoes, the swift rise of the processed potato food industry increasing the importance of a relatively few buyers of potatoes, a scarcity of satisfactory alternative cash crops, and other factors. They have reacted in a number of ways to strengthen the industry and their individual position in it.

Grower and dealer support brought Idaho to the attention of consumers through advertising. Delivery of a quality product established Idaho potatoes as desirable in the mind of consumers. The industry works together through the Idaho Potato Commission, the Idaho Potato Producers Association, the Idaho Shippers Association, and the Idaho Processors Association, to maintain that place. A Federal marketing order is in effect in the area, voted in by the industry, to provide better control over the quality of potatoes moving into markets outside the State.

The Potato Producers Association has taken aggressive action to expand potato production and marketing research. It has made some of its own funds available to the University for this purpose and has been active in encouraging the University and the U. S. Department of Agriculture to step up their research in the field. In addition, it has underwritten part of the cost of a potato marketing specialist position in the Idaho Extension Service in an attempt to secure more assistance in that field for the industry.

Growers are engaged in processing potatoes into starch and food products through their two marketing cooperatives. This activity may well expand.

They are currently engaged in exploring the advantages of State marketing orders to see whether these might be beneficial in the Idaho situation.

Also, in response to increasing integration in the industry, they are looking closely at their situation to determine whether a bargaining cooperative offers them any advantages and whether sufficient grower support exists for its operation. Other factors lending uncertainty regarding a bargaining association include the large production in the State relative to the amount used by processors, potential increased production, and the favorable comparison of contract prices to current market prices. The task of organizing an effective association is also evidenced by the number of growers involved. If we take 10 acreas as the minimum acreage a processor is interested in, there would be 4,874 growers that might be dealt with. If the processors are interested only in acreages of 20 per farm, or more, then there are 2,582 growers they might deal with.

Questions for Discussion

1. Would there be any conflict of interest between a bargaining association and the existing marketing cooperatives?

2. What is the relation between total potato production and amount processed for effective operation of a bargaining association?

3. How does the dual outlet for the potato crop affect the possible success of a bargaining association?

4. How does rapid change in the potato food processing industry nationally affect the chance of success of a bargaining association?

5. What proportion of the crop will the association need to control before it can bargain effectively?

6. Can the association bring stability to the potato food processing industry?

7. What kinds of information must the association officers have to bargain effectively with the processors?

8. What should the association bargain on initially - price, contract terms, or both?

9. Will the association need to consider working with producers in other areas for bargaining on a national level?

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Highlights of Discussion from the Floor

Responding to questions about processors in the industry, Dr. Wilcox indicated that there are now about eight processors. The one large processor generally acts as the pace setter on contracts, and they all quote about the same price for potatoes for processing.

Although there is a trend toward national distribution by chains, he did not know of any consideration being given to a national potato bargaining association. Also, if Idaho has a local advantage in certain crops, he felt that growers would not be interested in a national organization. Dr. Wilcox also felt that Idaho growers will continue to increase potato production, even though prices are unfavorable, as long as potato production remains favorable relative to other alternatives.

Mr. Stickney commented on how much potatoes and pears have in common. The reaction of processors to the bargaining activities of potato growers was similar to that found in pears. When pear growers contacted processors, he said, they found that stability of the industry was an important factor to processors.

HOW CAN BARGAINING CO-OPS AND PROCESSING CO-OPS WORK TOGETHER TO THE MUTAL ADVANTAGE OF GROWERS?

R. D. Barker, Treasurer
Apple Growers Association
Hood River, Oreg.

Our organization was reluctant to comply with the request that we present the processors' viewpoint at this meeting, since some members of both groups have very positive and even antagonistic feelings towards the other group. We certainly do not wish to make ourselves a target for reprisals or animosity in the future.

Upon more mature deliberation we decided that we should take the risk because we have a sympathetic attitude toward the legitimate objectives of bargaining cooperatives, and believe that the basic objective of both groups is to promote the economic welfare of producers, even though we approach our goals by different routes. What we say is not intended as criticism, but is strictly for the purpose of promoting understanding of mutual problems so that they may be resolved in a mutually satisfactory manner.

Viewpoints are influenced by environment and experience, and it is quite possible that processors in other areas may reach different conclusions. The organization I represent is a fresh and processed fruit marketing cooperative in the Northwest, in an area in which there are many cooperative processors, but until recently, no substantial bargaining cooperatives. Marketing orders have not been widely used since depression years, and most marketing organizations do not favor them.

Apple Growers Association is probably the most highly integrated fruit cooperative in the Northwest, principally concerned with marketing fresh apples, pears, and cherries, but with 30 years experience in canning and processing. Our members went into processing to utilize low-grade apples, as well as to create a balanced program for Bartlett pears, cherries, and strawberries which were marketed both ways, depending on variety, grade, size of crop, and available markets. We paid a very high initiation fee in invested capital and the inevitable costly mistakes of any inexperienced processor. At that time there was no other porofitable market for these products, and our members are justly proud of the results which have been obtained.

As to ways in which processing and marketing cooperatives can work together for the benefit of producers, the matter of establishing uniform grades is mutually advantageous. Also, encouraging producers to concentrate on high quality in desirable varities is a matter of joint concern.

Processors can help determine fair market prices due to their first-hand knowledge of costs, markets, and other factors that are likely to

influence the price at which each year's crop can be sold with a fair return to both producers and processors. There is an obvious limit to such activities under anti-trust laws, but we are interested in preventing competitors from purchasing raw material at a price which permits price cutting and undermines the market.

Conversely, we are opposed to prices which are so high that we cannot sell on a competitive market without suffering a loss, or pricing ourselves out of the volume market. While we do not conspire to fix prices, we have discussed price factors with bargaining associations and suggested what we believed to be realistic raw material prices. Without first-hand experience, it is rather easy to misjudge the complex factors involved in reaching a fair price.

Cooperative processors act as pace-setters or yardsticks for the industry, and as an influence toward orderly marketing. Also, since their purpose is to utilize the entire crop of their members, they constantly seek to develop profitable byproducts, which quite probably would never exist without their efforts. Retail organizations rarely concern themselves with such products until producer-minded organizations have performed the research and market development work which makes them a desirable sales item.

Private processors have much the same attitude as long as they can secure the quantity and quality they desire without the necessity for finding an outlet for surplus or off-grade raw material. Prime examples are the numerous citrus byproducts developed by cooperatives such as Sunkist, and our own canned apples, sauce, juice, cider, vinegar, concentrate, fruit essence, and pomace for weevil bait.

Without such product development and pace-setting, bargaining cooperatives alone would have a much more difficult task in marketing an entire crop at profitable prices, especially in years of surplus production. Destruction of the surplus rather than profitable utilization might be the only solution.

As to desirable future relationships between the two groups, it seems there should be general recognition of the very rapid trend toward vertical and horizontal integration in processing and marketing. Volume is being concentrated in a few large wholesale and retail organizations. Processing is following at a somewhat slower pace.

Vertical integration has reached the point where wholesale and retail organizations own processing and even farm properties. These non-cooperative groups naturally tend to buy rather definite quantities, with rigid quality, size, and varity limitations. Disposition of the remaining crop is strictly a problem of producers with no real alternative except destruction or very low-priced utilization of the surplus.

The only way producers may obtain adequate bargaining power is to create large and effective groups of their own to control price and utilization of

their crops up to the wholesale or retail level. Regardless of what producers could or should have done in the past to obtain a larger share of the agricultural processing and marketing industry, it seems obvious that the necessary capital and physical properties cannot now be accumulated fast enough to provide effective producer ownership of these organizations. Bargaining cooperatives appear to be the group to close the gap, at least until such time as the transition to producer ownership can be accomplished.

Intelligently operated bargaining cooperatives can assist marketing and processing cooperatives by maintaining fair competitive price relationships, and in return, they will achieve market stabilization, product utilization, and other desirable objectives. If raw material prices are too low, producers may become unwilling contract farmers under almost complete control by processors and distributors. If prices are to high, private processors will almost certainly turn to huge factory farms, with strong probability of mergers or other alliances with large distributors to insure financing and dependable market outlets.

It should be obvious that both types of cooperatives have a definite place in the struggle for producer control of the marketing of agricultural commodities. They should supplement each others' efforts, rather than engage in a suicidal struggle for domination.

Since large bargaining cooperatives are a relatively new development in most areas, with limited experience in their dealings with long-established processing and marketing cooperatives, a note of warning seems to be in order. They cannot afford to overlook the fact that cooperative processors provided a solution to marketing problems with their own time and money during years of adversity when producers now forming bargaining cooperatives had the same opportunity. They not only did not accept it, but often placed obstacles in the path of those who did provide their own facilities and organization.

The investment required for such facilities is greatly in excess of anything seriously considered by bargaining groups. Also, members of processing cooperatives have placed the marketing of their entire crop in the hands of their own marketing organizations, which have done the job successfully for many years. Why should they now pay dues to an organization which desires to do for them what they have already done for themselves?

What advantage could they receive? Would bargaining groups be willing to provide their share of the capital required to expand existing cooperative processing facilities in order to absorb products of the bargaining association? Will processing co-ops be willing to give bargaining co-ops the benefit of their knowledge of market values? In the answers to these questions will be found the common meeting ground we should all desire.

The members of our organization have not joined existing bargaining groups because they cannot presently see any reasonable return on their membership dues. The day may come when the operating record of bargaining cooperatives and the general economic situation will justify such additional expense, and if so, we anticipate no difficulty in securing their support. Meanwhile, they remain sympathetic to the legitimate objectives of bargaining cooperatives and willing to work with them on matters of common interest.

If there should be serious attempts to drive a wedge between our producers and their processing cooperative, or if mandatory advertising or crop control marketing orders were to be imposed on them without their consent, it is almost certain that they would put up a last-ditch fight to preserve their right to solve their problems by the methods deemed most advantageous to themselves.

It is by no means certain that bargaining cooperatives alone can do the job. This has already been indicated by the formation of CAL CAN (California Canners and Growers) and efforts of bargaining groups to influence existing processing cooperatives to expand their facilities in order to absorb a larger percentage of the crop through agencies whose objective is greater return to producers, rather than higher income on invested capital. Serious consideration should be given to the question of whether bargaining cooperatives can afford to risk the animosity of processing cooperatives and impose policies which will render them ineffective as one facet of producers' voluntary efforts to control the price of agricultural products.

If both groups approach the problem in an open-minded and intelligent manner, there need be no serious conflict of interest. To do otherwise will almost certainly provide the opportunity for non-producer groups to take control of agriculture and eventually eliminate to a large degree the long-established pattern of the family farm in America. If that occurs, we shall all have failed those who charged us with the responsibility of promoting their best interests.

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DISCUSSION: HOW CAN BARGAINING CO-OPS AND PROCESSING CO-OPS WORK TOGETHER TO THE MUTUAL ADVANTAGE OF GROWERS?

Cameron Girton, Manager
California Canning Pear Association, Inc.
San Francisco, Calif.

Basically all agricultural co-ops are the same. They were organized and they function for one primary purpose -- to provide the best possible service for their grower members. Therefore, it is safe to assume that they -- the co-ops -- would, in the best interest of their members, make

every effort to cooperate with one another. And this is being done. This conference for the past 2 days and the National Council meeting are evidence that co-ops are working together.

But this alone is not enough. I will now contradict myself by stating, "Basically, all agricultural co-ops are not the same." Most of us represent a different commodity, perform a different service, or represent producers from different geographic areas. Many co-ops' activities are in competition with one another.

Mr. Barker of the Apple Growers Association, Hood River, Oreg., has discussed how two types of co-ops, namely processing co-ops and bargaining co-ops, can work together to the mutual advantage of growers. I feel that most processing co-ops and bargaining co-ops are working together. At least that has been my experience in California. There are some instances, however, where the co-ops could work more closely together for the good of all.

Let's look at some of the reasons for this lack of cooperation. Not like the chicken and the egg, the processing co-ops have been in operation longer than most bargaining co-ops. Most processing co-ops were organized by producers after they had experienced years of poor returns and years when their product or products had insufficient markets and in some cases no market at all. In other words, the processing co-ops were attempting to provide their grower members a "home" or market for their products and also to improve returns through processing and marketing efficiencies.

The processing co-ops, as we know them on the Pacific Coast, are well-managed and efficient organizations. But, unfortunately, they have not been large enough in number or in the volume of commodities they represent to always reflect reasonable returns to their members. It is true that the majority of the time these processing co-ops have returned market price PLUS to their members. But unfortunately in some years the market price was disastrous. A "for instance" in California: in 1948 the average price for canning pears was $120 a ton; In 1949, $20 a ton. Other commodities in California had similar experiences, perhaps not so severe.

It was years such as these that caused producers, members of processing co-ops, and non-members to organize what we refer to as bargaining co-ops. Many producers believed that the successful operation of a bargaining co-op would result in reasonable prices, would create an atmosphere which would benefit an entire industry. I feel there were some individuals in processing co-ops who did not share this opinion. Some processing co-ops helped organize bargaining co-ops; some took a "Wait and see" attitude; a few by no support actually reduced the bargaining co-op's bargaining strength.

Why this "no-support"? In my opinion, there are several reasons. It takes time to become acquainted with one another. What are their

prospective purposes, procedures, and goals?

Occasionally, personalities representing the two types of co-ops -- both producers and employees -- were not too compatible. And I also suspect that there are some representing processing co-ops who are more cnn-cerned with what they return to their members over market price than the market price itself. If processing co-ops were numerous enough and large enough to process and market all of a given commodity, there might not be a need for bargaining co-ops. But until such time we feel there is a strong need for bargaining groups.

I do not intend to be over-critical. In California we have made great progress in cooperation between both groups. Through personal, local, and national meetings we hope to further that cooperation.

FLORIDA ORANGE MARKETERS: A NEW APPROACH IN MARKETING

H. W. Schwarz
Assistant to Executive Vice President
Minute Maid Corporation
Orlando, Fla.

Introduction

Inasmuch as many of you are probably not familiar with either Minute Maid or Florida Orange Marketers, Inc., it might be appropriate to review very quickly what these organizations are.

Minute Maid is a grower of citrus and also owns processing facilities. The company has a nationwide sales organization and a strong franchise in the MINUTE MAID, SNOW CROP, and HI-C lines. Sales are now in the range of $95 to $100 million a year and are almost entirely citrus and citrus byproducts.

All of the company's main lines are franchised, advertised, and sold through our own sales staff or brokers. The company does not put up any private label packs except for those in the byproducts lines and a small single-strength pack for another leading food processor.

Minute Maid has as its objectives those of any well-managed company -- that is, to earn a reasonable return on investment -- and correspondingly on sales and the many derivative policies that stem from this major one. These derivative policies pertain to the required sales volume, the maintenance of a high quality at the consumer level, the development of new products, the efficient use of existing facilities and personnel, and the continuing strengthening and development of brand identification with the public.

Florida Orange Marketers, Inc., (F.O.M.) is a tax paying grower cooperative, organized under the Florida statutes. It is primarily a marketing outlet for a group of growers now numbering around 360. F.O.M. does not own any capital assets of a major nature and at present their constitution and bylaws prohibit them from acquiring such investments. F.O.M. has a contract with Minute Maid which provides for the delivery of certain varieties of volumes of fruit and the return to the cooperative from Minute Maid of the money received from the sale of the products manufactured from this fruit. In turn the cooperative distributes in accordance with a prescribed pooling arrangement to its growers. F.O.M. has its own field staff, its own Board of Directors, numbering 25, and the normal number and kinds of officers.

Although many of you may be quite familiar with the Florida citrus industry, it might be worthwhile to review some of the very general characteristics. The crop -- and we will talk now of oranges -- is

marketed through fresh and processed channels with the process channels taking from 60 percent to 70 percent of the crop.

In the process channels there is division among chilled juice, single strength juice, and frozen orange concentrate, with concentrate taking the lion's share of the fruit going into process. For example, in the year preceding 1957-58, in which we had a major freeze, concentrate took approximately 48 million boxes out of a total crop of 90 million boxes.

Sales in both fresh and processed forms are now largely through the tremendous marketing outlets represented by the chain stores. In the marketing of concentrate, for example, 62 percent of the volume is done through chains and private label packs; 38 percent goes through the so-called advertised brands. However, MINUTE MAID and SNOW CROP, which are the Minute Maid Corporation brands, are the only ones in the advertised category that depend entirely on citrus for their livelihood. Most of the other brands are part of large processing operations that have many other lines on which they can depend for earnings.

All of you are familiar with the general aspects of the chain store operation. It is a marvelously efficient and low-cost method of distributing consumer items. You are all familiar with the fluctuations in volume and price of any crop. The Florida orange crop, particularly, has been characterized by rather wide swings in price. It seems to fluctuate between extreme highs when demand exceeds supply and extreme lows when supplies are larger. These are usually temporary conditions but they are extremely painful to one segment or another, depending on which direction the price is going.

One of the contributing factors is that the Florida orange crop is harvested over a period of 6 to 8 months, with any one variety coming off the tree over a period of at least 2 to 3 months. This gives both grower and producer considerable time in whcih to bargain. However, if the bargaining takes too long, one or the other party is apt to find themselves in a position of weakness due to either pressure to harvest or to pack. This aggravates the familiar cycling and makes future investment in a crop dangerous unless the buyer can keep himself quite flexible.

With the problem of maintaining inventories at all times in order to avoid losing space in the retail outlet area -- added to the uncertainties of an agricultural operation -- the brands that do not control space in the grocery store directly have a major problem. This is a feature which is most important, if not the most critical, in the frozen food business because of the limited space available in the frozen display cabinet. Whereas the chain store controls the space and can reintroduce its brands after an inventory run-out, other brands must get back into the box either on the basis of price or a consumer franchise.

Florida Orange Marketers feel that the only way a good position can be maintained is to keep the road open directly to the consumer. Otherwise the grower and the processor must depend entirely on the chain store for the opportunity to display their wares. As I have said, this is not necessarily bad, but it certainly is a major factor in what the grower can expect when he begins to market his crop.

One other fact which is necessary in order to understand Minute Maid's overall position is that it is also a very large grower; consequently it feels that unless the grower prospers the whole industry has little future.

The Plan

Over a period of years Minute Maid had struggled with varying success with the problems described above. It became evident that unless a large portion of the fruit, from which sales were generated, was tied to the returns from the sale of the product that either the grower or the processor was at a disadvantage.

It was also quite evident that a major portion of processed products were being sold through outlets whose interests were primarily in high volume, low margin selling. This is not a criticism of this method but merely a statement of fact. The result is that the distribution and sales outlets tend to lose interest whenever the price range of the product goes above a level where it no longer is readily a high velocity sales item.

It was this concern that led to the formation of Florida Orange Marketers. Mr. Wright is going to explain the growers' viewpoint so this presentation will be restricted to those aspects of the operation which relate primarily to Minute Maid's position.

The "plan" itself provides for a joint venture between Minute Maid and F.O.M. in the sense that the cooperative contracts to supply all of the fruit of certain grades on a pool basis. Minute Maid, on its part, agrees to process and sell the products manufactured from the fruit. This is done on a cost basis plus a fee with a ceiling of 7 percent of net sales.

Both F.O.M. and Minute Maid recognize, however, that the contract must be competitive and equitable so that the fee (which covers Minute Maid's profit) in effect has to be earned by Minute Maid by making returns which are competitive with other marketing outlets. On the other hand, F.O.M. has recognized that Minute Maid incurs extra expenses for advertising, research, and other important functions and is entitled to recover these.

In order to avoid the conflict of interest which could arise between growers and a processor who also grows fruit, Minute Maid agreed to put all the fruit it grows or buys through the cooperative. In this way no

economic advantage could accrue to Minute Maid which was not also available to any other member. It is also convincing evidence of Minute Maid's belief that the arrangement was a good one for growers generally.

What's in it for Minute Maid

The question naturally arises as to why a processor would be interested in the arrangment just described. Not all processors would be. However, a processor who needed a large volume of high-quality fruit on an assured basis in order to maintain a continuous aggressive sales effort at the consumer level would be very much interested.

Quality and other factors being equal, in today's marketing atmosphere there seem to be only two ways that a processor can be certain of a long-term favorable position with the consumer. The first is to control the retail store outlets, and the second is to have a sufficiently strong franchise so that the public recognizes and buys the product. Any position in between requires an opportunistic approach in which plant volume, research, and advertising (if any) and all other variables have to be tailored to meet whatever conditions exist. This is not conducive to long-range planning or the establishment of a strong franchise.

Minute Maid has always felt that the concept of an advertised brand with premium quality sold at a premium price was the right road to follow. However, due to the uncertainties of the market they had great difficulty maintaining any continuity in advertising and merchandising or research and development efforts. These kinds of activities just cannot be effective if conducted on an intermittent basis. Consequently, when a grower group indicated interest in a cooperative venture, the management of Minute Maid received their interest enthusiastically.

The fact that the processor and the growers were able to develop a practical and mutually acceptable contract is a tribute to the talent of the men involved. They were of the highest type. Negotiations were carried on over several months, during which the growers retained expert accounting and legal help in order to satisfy themselves that the various proposals were sound. The original group of growers numbered 22. In the final stages a study committee of three carried on the work.

One of the major problems in an undertaking such as this is the initial hurdle of obtaining enough tonnage (volume) to make the venture worthwhile. This was faced courageously by both sides and F.O.M. was able to grow from a small initial nucleus to its present strength of some 360 members with a volume estimated in excess of 10 million boxes of oranges.

In December 1957, prior to the first season of operation for F.O.M. a severe freeze hit Florida. This, of course, created a wide variety of unexpected conditions in fruit quality, quantity, and maturity. One of the things Minute Maid had hoped to gain through the cooperative was a relation with growers in which advice and guidance could be obtained.

The normal grower-processor relation is not one that leads to a situation where the two entities can sit down under conditions of mutual trust and confidence. The experience of the past year has proven that F.O.M. has fulfilled this part of the goals admirably in addition to its other objectives. The Executive Committee met every week during the critical period and in concert with Minute Maid personnel worked out almost every problem satisfactorily.

The foregoing should not be taken to mean that no difficulties exist within the Minute Maid - F.O.M. relation. Only in Utopia would one expect to find a joint effort of this kind completely free from all problems. However, if, as in this case, the people involved are of the right caliber, approach the situation on a business-like basis, and are able to resolve differences in an atmosphere of trust, then the project is almost sure to succeed. It is apparent that if the proposal has real merit and meets these conditions, it should attract enough members and volume to make the operation economically sound.

It is interesting to note that there are basic similarities in the objectives of Florida Orange Marketers and bargaining cooperatives. Both organizations want to enhance the growers' returns. F.O.M. however, has chosen to take an interest in the complete cycle from tree to consumer in the belief that this is the best way to be assured of their fair share of the consumer's dollar. In other words, they feel that it is not enough to bargain with the processor, but that the processor in turn must be effective and interested in creating as favorable a market as possible.

FLORIDA ORANGE MARKETERS: A NEW APPROACH IN MARKETING

J. Dan Wright, President
Florida Orange Marketers, Inc.
Sanford, Fla.

Mr. Schwarz has done a fine job in describing the arrangement between Minute Maid and Florida Orange Marketers. Since he also pointed out why Minute Maid was interested in this type of arrangement with growers, I would like to briefly discuss the growers' viewpoint and indicate why 360 growers-members are participating in Florida Orange Marketers, which now represents a total pool of $27 million.

A basic philosophy of the growers is a preference to invest their capital and management in groves and other production items, rather than in bricks and mortar. Under our arrangement Minute Maid furnishes the bricks and mortar and, after cost, can earn up to 7 percent of sales. This figure is based on f.o.b. net Florida gross sales.

For his part, the grower is assured of a reliable and profitable market for his fruit by having it processed and marketed by an established company under a highly advertised and widely accepted brand. By joining with other responsible growers, he can have a voice in, and become a part of, an organization that will have an identity for the products manufactured from his products and one that will build sales based on quality and reputation. This, in turn, will earn maximum returns for the grower.

Our growers like a nationally advertised brand. They also like Minute Maid's research program and its advertising program. Enlightened management has also been a key factor. For example, Minute Maid let the growers have accountants go over their books. Thus, the growers could have trust in the company and its dealings with Florida Orange Marketers.

Today F.O.M. has a long-term contract containing cancellation privileges with Minute Maid. An important feature of this agreement is that no "retains" will be required for new buildings, equipment, or other fixed items. Since Minute Maid already own the facilities and is prepared to expand and improve them as necessary, the only expenses borne by the F.O.M. are those nominal costs incidental to operation of the association itself. They range between 1 and 3 cents a box dependent upon seasonal conditions.

Florida Orange Marketers' contract with Minute Maid provides:

1. For delivery by F.O.M. of a constant grade, quality fruit to Minute Maid and its purchase by Minute Maid.

2. That Minute Maid processes members' fruit and sells the products and byproducts derived from processing.

3. For Minute Maid to return to the F.O.M. all the proceeds from sale of products and byproducts, less production, sales, and administrative costs and a limted fee set at a maximum of 7 percent of sales.

4. For advances to F.O.M. by Minute Maid at the time of fruit delivery. If requested, these advances can amount to 80 percent of the weekly average price as reported by the Florida Canners Association. In the event this exceeds the season's average for the variety being delivered, the season's average will then be advanced.

This provision for advances assures uniform treatment of all members regardless of size. Of course, F.O.M. members requesting advances pay the costs involved. These costs include interest at the rate Minute Maid must pay on its borrowings.

5. Minute Maid Groves Corporation and Carney Groves, Inc., the fruit growing divisions of Minute Maid, are members of F.O.M. each having one vote. They are accorded the same treatment as any other member of the association.

LETTER OF TRANSMITTAL AND RESOLUTIONS

3 February 1959

Honorable Ezra Taft Benson
Secretary of Agriculture
United State Dept. of Agriculture
Washington 25, D. C.

Dear Mr. Secretary:

With the aid and cooperation of the United States Department of Agriculture and its agency, the Farmer Cooperative Service, a national meeting of bargaining associations was held January 10th and 11th in New Orleans prior to the annual meeting of the National Council of Farmer Cooperatives. Those associations and individuals attending are listed on the attached agenda for your information.

Although bargaining cooperatives are not formally organized into a national association, this was the third national meeting held under the guidance of the Farmer Cooperative Service. At the conclusion of the planned program conducted by Joseph G. Knapp and Wendell McMillan, members of bargaining associations and individuals attending formed themselves into a voluntary group hereinafter referred to as the National Council of Bargaining Associations. Mr. Ralph Bunje, Manager of the California Canning Peach Association was unanimously elected chairman pro-tem and I, John Handy, was appointed by him as Secretary.

After considerable discussion, the following resolutions were passed unanimously by those attending and it is my duty and pleasure to bring these resolutions to your attention for what action you may deem necessary for the development of a free and sound agriculture based on farmers cooperating to help themselves:

RESOLVED

WHEREAS, the development of Capper-Volstead type bargaining associations is of current interest to farmers throughout the United States for meeting today's marketing problems; whereas the basic principle of bargaining associations applies to many commodities throughout the United States who have common problems and needs; whereas, there is necessity for bargaining associations being contemplated and commodity groups with similar problems to meet and exchange information:

Resolution No. 1: BE IT RESOLVED, that the United States Department of Agriculture and the Farmer Cooperative Service of that department

with Joseph G. Knapp as administrator, be hereby informed of the appreciation of those groups and individuals attending this conference for their work and cooperation in making this meeting possible. All participants from the Department of Agriculture are to be commended for their work and advice in planning and conducting the very worthwhile program evolved.

Resolution No. 2: BE IT RESOLVED, that the Secretary of Agriculture and his administrator of the Farmer Cooperative Service, Joseph G. Knapp, be requested to develop a similar meeting of this type in conjunction with the National Council of Farmer Cooperatives' meeting for 1960.

Resolution No. 3: BE IT RESOLVED, that the Farmer Cooperative Service and the United States Department of Agriculture of which it is a part, be hereby petitioned if funds are available, to authorize the making of a 10- to 15-minute movie illustrating the basic principles along which bargaining cooperatives are founded. These principles might include the following points:

a. The economic justification for establishing bargaining cooperatives.

b. Legal requirements for a sound organization.

c. Financial requirements for a sound organization.

d. The establishment of a sound administration.

e. Methods of price analysis and negotiations.

f. The development of loyal membership.

With great appreciation for your forthright leadership and administration, we respectively submit these resolutions for your consideration.

Yours truly,

/s/ John Handy

John Handy, Secretary
NATIONAL COUNCIL OF BARGAINING
COOPERATIVES

President of the
GREAT LAKES CHERRY PRODUCERS
MARKETING COOPERATIVE, INC.

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES
(as of January 1, 1959)

Fruit Bargaining Cooperatives

1. California Canning Peach Association
   Ralph B. Bunje, Manager
   244 California Street
   San Francisco 11, Calif.

2. California Canning Pear Association
   Cameron Girton, Manager
   64 Pine Street
   San Francisco 11, Calif.

3. California Freestone Peach Association
   Charles J. Telford, Manager
   422 Fifteenth Street
   Modesto, Calif.

4. Great Lakes Cherry Producers Marketing Cooperative
   Berkley I. Freeman, Manager
   345 State St., S. E.
   Grand Rapids 3, Mich.

5. Kadota Fig Growers Association
   V. E. Scott, Manager
   P. O. Box 26
   Planada, Calif.

6. Michigan Processing Apple Marketing Association
   Martin E. Hearn, Acting Secretary
   201½ East Grand River Ave.
   East Lansing, Mich.

7. New York State Grape Cooperative
   James Hazlett, President
   Hector, N. Y.

8. Northwest Berry Growers Association
   Herbert Stiener, President
   Route 1, Box 19A
   Beavercreek, Oregon

9. Pacific Northwest Cherry Growers Association
   Ralph Kirby, President
   11 South Seventh Street
   Yakima, Wash.

10. Pacific States Canning Pear Marketing Association
Vernon Stockwell, President
Wenatchee, Wash.

11. Puyallup Valley Berry Growers Association
Joachim L. Girard, Manager
P. O. Box 25
Sumner, Wash.

12. Skykomish Valley Berry Growers Association
Startup, Wash.

13. Tri-County Grape Growers Association
Walter L. Green, III
Route 1
North Madison, Ohio

14. Virginia Fruit Marketers Cooperative
J. Kenneth Robinson, President
Winchester, Va.

15. Washington Freestone Peach Association
A. J. Anderson, Manager
P. O. Box 2056
Yakima, Wash.

16. Washington-Oregon Canning Pear Association
Clay Whybark, Manager
202 Holtzinger Building
Yakima, Wash.

17. Western New York Apple Growers Association
Fred P. Corey, Executive Secretary
272 Alexander Street
Rochester, N. Y.

Vegetable Bargaining Cooperatives

1. California Tomato Growers Association
Tom Stinson, Secretary-Manager
145 South American Street
Stockton, Calif.

2. Cannery Growers, Inc.
A. W. Matthews, Secretary-Manager
Box 68
Maumee, Ohio

3. Cash Crops Cooperative
   Oscar Eis, President
   282 Forest Avenue
   Fond du Lac, Wis.

4. Iowa-Illinois Cannery Growers' Cooperative
   Herbert Ovesen, President
   Wilton Junction, Iowa

5. Michigan Asparagus Growers Cooperative Association
   P. J. Sikkema, Manager
   P. O. Box 248
   Lawrence, Mich.

6. New Jersey Sweet Potato Committee
   (composed of representatives of six New Jersey marketing cooperatives)
   Southern, N. J.

7. New Jersey Vegetable Growers Cooperative Association
   F. Rene Gossiaux, Jr., Manager
   168 West State Street
   Trenton, N. J.

8. New York Canning Crop Growers Cooperative
   William Stempfle, Manager
   Box 290
   Batavia, N. Y.

9. Northwest Washington Farm Crops Association
   Ace N. Garlinghouse, Executive Secretary
   621 West Division
   Mount Vernon, Wash.

10. Oregon-Washington Pea Growers Association
    Don Webber, President
    Athena, Oreg.

11. Shiocton Bargaining Cooperative
    Marvin Knoke, President
    Shiocton, Wis.

12. Utah State Canning Crops Association
    A. W. Chambers, Secretary-Manager
    173 South Main Street
    Logan, Utah

13. Vegetable Committee of the Delaware Farm Bureau
    C. Fred Fifer, Chairman
    Wyoming, Del.

14. Washington Asparagus Growers Association
Gene R. Coe, Manager
318 S. Seventh St.
Sunnyside, Wash.

15. Washington Pea Growers Association
R. T. Magleby, Manager
Box 615
Walla Walla, Wash.

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